

**PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
DOCKET NO. 2004-001-E
DIRECT TESTIMONY OF PROGRESS ENERGY CAROLINAS, INC.**

WITNESS BRUCE P. BARKLEY

1 **Q. Please state your name, address, and position.**

2 A. My name is Bruce P. Barkley and my business address is 410 S. Wilmington
3 Street, Raleigh, North Carolina. My position is Manager– Regulatory Accounting
4 for Progress Energy Service Company (“Progress Energy”) which is an affiliate of
5 Progress Energy Carolinas, Inc. (“PEC”)

6 **Q. Please describe your educational background and professional experience.**

7 A. I obtained a Bachelor of Science Degree in Business Administration with a
8 concentration in Accounting from the University of North Carolina at Chapel Hill
9 in 1984 and an MBA Degree from Wake Forest University in 1999. I obtained
10 my CPA license in 1987. I joined Progress Energy in the Regulatory Services
11 Section in May 2001 and I am responsible for regulatory accounting and
12 reporting. Most recently, I sponsored testimony in fuel proceedings in both North
13 Carolina and South Carolina. Prior to joining Progress Energy, I held various
14 positions with Public Service Company of North Carolina, Inc., based in
15 Gastonia, NC, from 1988 to 2001. While working at PSNC, I was responsible for
16 regulatory filings and reports submitted to the North Carolina Utilities
17 Commission.

18 **Q. What is the purpose of your testimony?**

19 A. The purpose of my testimony is to review the Company's fuel cost and revenue

1 collection for the period January 2003 through December 2003, present projected
2 fuel cost for the period April 2004 through March 2005 and recommend a fuel
3 factor to be effective April 1, 2004. My Exhibits 1 and 2 reflect actual
4 information for calendar year 2003. My Exhibits 3 and 4 address the projected
5 period ending March 2005.

6 **Q. Please explain Barkley Exhibit No. 1.**

7 A. Barkley Exhibit No. 1 is a summary of PEC's actual system fuel cost and
8 kilowatt-hour sales experienced during the period January 2003 through
9 December 2003. Lines 1-9 provide a breakdown of fossil fuel expense by type of
10 generation resource - coal, oil, or gas - and indicate the type of generating unit
11 which consumed the fuel. Emission allowance expense is shown on line 10 and
12 nuclear fuel expense on line 11. Lines 12 and 13 show purchased power costs and
13 the fuel portion off-system sales, respectively. Line 16 indicates the system
14 average cost of fuel per kilowatt-hour sold each month.

15 **Q. What purchased power costs are PEC seeking to recover through the fuel**
16 **clause?**

17 A. Consistent with recently amended S.C. Code Ann. § 58-27-865, PEC has included
18 as properly recoverable fuel costs its economy purchases and costs of firm
19 generation capacity purchases.

20 **Q. How did the fuel revenue billings compare to the actual fuel costs incurred**
21 **during the historical period January 2003 through December 2003?**

22 A. Barkley Exhibit No. 2 is a monthly comparison of the revenues billed South
23 Carolina retail customers through the base fuel component of the approved rates

1 to the actual fuel costs attributable to those sales. Lines 6 and 14 represent the
2 differences between the monthly collection of fuel cost and the corresponding
3 revenue billed under the fuel factor approved by the Commission. Lines 8 and 16
4 represent the cumulative under-recovery of fuel expense. During 2003, PEC's
5 under-recovery was reduced from \$7.5 million to \$6.0 million.

6 **Q. Please explain Barkley Exhibit No. 3.**

7 A. Barkley Exhibit No. 3 demonstrates the calculation of a base fuel component of
8 1.520¢/kWh for the 12-month period April 2004 through March 2005, consisting
9 of a component for recovery of projected fuel expense for this period and a
10 component to collect the projected under-recovery at March 2004. I am projecting
11 the eligible under-recovery to be \$6.0 million at March 2004.

12 **Q. Please explain Barkley Exhibit No. 4.**

13 A. Barkley Exhibit No. 4 is a continuation of my Exhibit No. 2 showing projected
14 costs and revenues, by month, for the period January 2004 through March 2005.
15 The projection assumes scheduled maintenance and refueling outages for certain
16 of our nuclear generating units based on the latest plan and includes forced outage
17 rates for fossil units based upon historical outage data. The exhibit continues the
18 use of the current base fuel component of 1.471¢/kWh through March 2005.

19 **Q. Are you recommending the adoption of a base fuel component of 1.520¢/kWh**
20 **in this proceeding?**

21 A. No, although the projected under-recovery is \$3.4 million at March 31, 2005 per
22 Exhibit No. 4, PEC is asking the Commission to continue the current fuel factor
23 of 1.471¢/kWh for the next 12-month period.

1 **Q. Why is PEC not seeking to increase its fuel factor to recover the projected**
2 **under-recovery?**

3 A. PEC has been in a dispute with the Norfolk Southern Railroad over the
4 appropriate rail charges for the transportation of coal to PEC's Roxboro and Mayo
5 coal plants. Recently, the Surface Transportation Board ("STB") ruled that the
6 rates Norfolk Southern charged PEC for the time period April 1, 2002 until
7 January 21, 2004 were unreasonable and prescribed the appropriate rates to be
8 charged during that period and the rates to be charged prospectively through 2021.
9 As a result, PEC expects to receive a refund from Norfolk Southern in the
10 amount of approximately \$20 million prior to the hearing in this proceeding. The
11 South Carolina portion of this refund is expected to be approximately \$3 million.
12 Norfolk Southern and PEC have asked for reconsideration of the STB's decision.
13 It is possible that, due to certain errors the STB may have made in calculating the
14 appropriate rates, PEC may have to return approximately \$5 million of the refund
15 to Norfolk Southern once the STB rules on reconsideration requests. This would
16 result in South Carolina's portion of the refund being reduced to approximately
17 \$2.3 million. Applying this expected refund as a credit to PEC's projected fuel
18 cost under-recovery and in the interest of rate stability, PEC is requesting that the
19 Commission leave the current factor in effect for the next twelve month period.

20 **Q. Does that conclude your testimony?**

21 A. Yes, it does.